

Message Text

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TAGS: BPRO, EIND

SUBJECT: PETROMIN PROJECTS AND POSSIBLE TRILATERAL INVESTMENT

REF: JIDDA 5803

1. ACCORDING TO ABDULHADY TAHER, GOVERNOR OF PETROMIN, THE SAG IS NOW NEARING AGREEMENT ON SEVERAL MAJOR PROJECTS. THE MOBIL LUBE OIL PLANT (REFTEL) HAS BEEN FINALIZED. MOBIL IS ALSO WORKING ON THE PROJECT TO BUILD A REFINERY ANDIA PETRO-CHEMICAL PROJECT IN YENBO. DOW WILL BE IN THE SEE TAHER ON MONDAY SEPT. 15 TO DISCUSS PETROCHEMICAL PROJECT IN JUBAYL AND DISCUSSIONS WITH BOTH SHELLS (AMERICAN AND EUROPEAN) ARE PROCEEDING.

2. MARCONA REPRESENTATIVES WILL BE IN JIDDA AROUND SEPT. 17 TO DISCUSS THE JUBAYL STEEL MILL PROJECT. IT SEEMS CLEAR THAT TAHER IS NOT AS SANGUINE ABOUT THIS PROJECT AS ABOUT OTHERS. HE COMMENTED THAT WORKING WITH CONSORTIA IS MORE DIFFICULT THAN WORKING WITH A SINGLE FIRM, AND STATED THAT THE SAUDIS ARE WILLING TO GO IT ALONE ON THIS PROJECT.

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3. DECISION TO GO AHEAD WITH PIPELINE TO YENBO IS DEFINITE. QUESTION OF WHO WILL HANDLE IS NOT SETTLED, ALTHOUGH PRESS (AND MOBIL REPS) REPORTS MOBIL WILL HANDLE. PETROMIN HAS GONE EVEN FURTHER WITH ITS PIPELINE IDEAS, AND IS NOW PLANNING A PIPELINE FROM RIYADH TO NEJRAN IN THE MOUNTAINOUS INLAND AREA OF THE SOUTH. PETROMIN'S BOARD HAS APPROVED THIS PROJECT AS THE CHEAPEST WAY TO DELIVER REFINED PRODUCTS TO THE AREA.

4. TAHER INDICATED THAT DISCUSSIONS WITHIN PETROMIN ON POSSIBLE TRILATERAL PROJECTS (SAUDI CAPITAL AND FEED-STOCKS, EGYPTIAN MANPOWER AND U.S. KNOW HOW) HAVE PROCEEDED, BUT THERE SEEMS TO HAVE BEEN LITTLE CONTACT BETWEEN THE SAUDIS AND THE EGYPTIANS. THE SAUDIS ARE CERTAINLY PLANNING ON PROCESSING THEIR OWN FEEDSTOCKS TO THE POINT JUST SHORT OF ENTERING THE LABOR INTENSIVE AREA. FOR EXAMPLE, THEY WOULD EXPORT POLYETHYLENE CHIPS TO EGYPT AND/OR THE SUDAN FOR PROCESSING. THE LATTER COULD IN TURN EXPORT FINISHED FIBERS OR OTHER PRODUCTS TO THE SAUDIS AND ELSEWHERE, IN ORDER TO PAY FOR THE SEMI-FINISHED IMPORTS. PLANNING IS WELL UNDER WAY FOR THE PORT FACILITIES WHICH WILL BE NECESSARY IN YENBO, AND THAT PLANNING PRESUMES ALMOST-SHUTTLE SERVICE BETWEEN YENBO AND EGYPT OR THE SUDAN (OR POSSIBLY YEMEN).

5. IT WOULD BE A GOOD TIME TO BEGIN THE PRESSURE ANEW IN THE TRILATERAL INVESTMENT AREA, BUT EMBASSY BELIEVES SUCH PROJECTS MUST COME FROM THE PRIVATE SECTOR NOW. THEY MUST ALSO INVOLVE BOTH SAUDIS AND EGYPTIANS (OR OTHER) AT THE EARLIEST POSSIBLE MOMENT IN DEVELOPING A PROJECT.

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